MGB Berhad

Main Market
Construction Sector
BUY (↔)
TP: RM0.49 (↓)
Last Closing Price: RM0.43

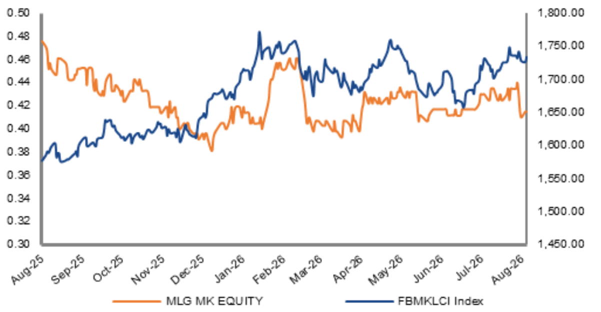
Slow Execution Prompts Revisions

Slower construction order-book conversion, delayed in-house awards, later property launches and weak Saudi precast utilisation have prompted us to cut FY26E/FY27E earnings by 24%/11% to RM48.7m/RM70.1m. Saudi operations remain the main drag, with lower-than-expected precast volumes and the deferred Al Madina project extending the timeline to breakeven. Consequently, we lower our SOP-derived TP by 13% to RM0.49 (previously RM0.56), reflecting reduced construction earnings, an 88% cut in precast value and a 14% reduction in property RNAV. Nevertheless, MGB's RM1.68bn construction order book and RM358.4m unbilled property sales provide medium-term earnings visibility once execution accelerates. Maintain Buy, supported by c.14% upside and a prospective dividend yield of 6%-8%

We attended MGB 2QFY26 post-results briefing and key-takeaways were;

1. **Recap**, MGB's 6MFY26 revenue declined 7.3% YoY to RM411.8m, reflecting softer property-development billings and lower contributions from domestic projects nearing completion. Nevertheless, gross profit and PATAMI increased 16.3% and 15.0% YoY to RM86.8m and RM27.5m, respectively, supported by stronger margins and cost optimisation. Part of the construction profit improvement, however, arose from the reversal of unused project-cost accruals following the expiry of defect-liability periods and should not be fully extrapolated into subsequent quarters.
2. **Headline order book remains sizeable, although execution is uneven**. The outstanding construction order book remained sizeable at RM1.68bn as at end-June 2026, comprising 73% domestic and 27% Saudi projects, while the tender book stood at approximately RM1.0bn. Domestic in-house replenishment has been pushed towards 4QFY26 following delays in several LBS property launches, although MGB achieved its RM200m external-job target after securing the RM200.7m Penang CLQ project. CI Medini was approximately 30% completed, while the UDA affordable-housing project was around 10%–15% completed and the Penang CLQ remained at the site-handover stage. Additional tenders include two university-hostel projects in Kelantan and a sizeable affordable-housing development in the Klang Valley.
3. **Saudi Arabia remains an important growth market**, with the two RM80m contracts (Marafy Al Arous Project) expected to contribute in 2HFY26 and further awards potentially arising. MGB is also pursuing a villa-construction contract worth approximately RM150m–RM200m. However, revenue recognition from the RM444m Al Madina project has yet to commence as its commercial arrangement is being revised, potentially involving MGB as both co-developer and main contractor. Saudi precast orders have also materialised more slowly and at lower volumes than initially anticipated, leaving plant utilisation below target. Management indicated that the existing contracts may only bring the Saudi operation close to breakeven, with full breakeven dependent on additional construction awards and commencement of the Al Madina project.

Share Price Performance



Business Overview

MGB provides construction and engineering services, including design and build, project management, civil engineering, value engineering, geotechnical specialization, and manufacturing of IBS precast concrete products.

Return Information	
KLCI (pts)	1,731.32
YTD KLCI chg.	3.0%
YTD Stock Price chg.	0.0%

Price Performance	1M	3M	12M
Absolute (%)	1.2%	-0.5%	-7.7%
Relative to KLCI (%)	0.7%	-0.7%	-16.6%

Stock Information	
Market Cap (RM m)	254.0
Issued Shares (m)	590.7
52-week High (RM)	0.51
52-week Low (RM)	0.40
Est. Free Float (%)	20%
Beta vs FBM KLCI	0.7
3-month Avg Vol. (m)	231,919
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK EQUITY

Top 3 Shareholders	%
LBS Bina	58.0%
Lim Lit Chek	13.3%
Kenanga Unit Trust	2.4%

FY DEC (RM m)	FY25A	FY26E	FY27E
Revenue	**917.1**	**984.3**	**1,299.8**
EBITDA	148.3	149.5	201.6
PBT	101.4	98.7	125.7
Net Profit	**76.9**	**76.3**	**106.0**
Core Net Profit	71.4	67.7	97.4
Consensus Net Profit	-	56.5	66.8
Earnings Revision (%)	-	*-24.21%*	*-10.87%*
Core EPS (sen)	**8.7**	**8.2**	**11.9**
Core EPS Growth (%)	-16.4%	-5.4%	43.9%
Net DPS (sen)	3.1	2.5	3.6
Net Div. Yield (%)	6.9%	5.6%	8.0%
BV Per Share (sen)	107.5	113.2	121.5
P/E (x)	5.1	5.4	3.8
ROE (%)	8.1%	7.3%	9.8%

4. **Construction-cost pressures have moderated** since their March–April peak, with steel-bar prices returning close to end-2025 levels. Ready-mixed concrete prices remained approximately 15% above December 2025 levels, while elevated fuel costs were considered manageable as they account for only 2%–3% of total construction costs. Separately, Kerteh Terengganu Industrial Park provides medium-term optionality: all seven industrial plots have obtained development orders, and MGB has received enquiries from data-centre investors.
5. **Saudi pre-cast utilization remain below initial expectations.** The precast volume envisaged under the original joint-venture arrangement—up to 300,000 cubic metres—has not fully materialised. Orders are recurring but have arrived more slowly and in smaller volumes than expected, resulting in lower plant utilisation and a longer route to breakeven.
6. **Domestic in-house replenishment has been delayed.** The targeted RM400m of in-house contract replenishment has been pushed towards 4QFY26 following the rescheduling of several LBS property launches. In contrast, MGB has achieved its RM200m external-job target following the award of the RM200.7m Penang centralised labour quarters project. Property-development visibility is supported by RM358.4m of unbilled sales, with Idaman Sari and Pangsapuri Saujana Indah nearly fully sold and Idaman Perdana recording an approximately 89% take-up rate. Idaman Cahaya Phase 3 had achieved a combined booking and sales rate of around 75%–80% at briefing date. MGB also plans to launch the RM128.2m Starlight Residences around September 2026 and the RM328.1m Idaman KITA project in 4QFY26, although their contribution to FY26 revenue is likely to be limited given the late launch timing.

Post Update, we revised down our FY26E/FY27E earnings by 24%/11% to RM48.7/RM70.1. Our revised assumptions; i) revenue from external clients to total revenue trim from 80% for both FY26E/FY27E to 69%/73%, ii) revised launch of Rumah SelangorKu 3.0 (FY28), Taman Putra Condominium, Idaman Kita (4Q26), Cameron Highlands/Starlight (September 26), iii) PBT margins revised to 7%/7.5% for FY2E/FY27E (6.6%/6.9% previously).

Valuation. Consequently, we lower our SOP-derived TP by 13% to RM0.49 (RM0.56 previously) ascribed to our revised FY27E earnings as i) we reduce the FY27E precast value by 88% to RM3.1m and ii) RNAV lowered by 14% to RM70.6m. At current price coupled with an attractive dividend yield of 6%-8% valuations are still undemanding. **Buy Call maintained.**

Key risks include: i) delays in converting the construction order book, ii) weaker-than-expected property sales, iii) escalation of Middle East geopolitical risks, and iv) construction cost volatility.

SOP Valuation Table

	FY27E
Construction:	
PAT (RM m)	32.8
Target P/E (x)	6.67
Total value (RM m)	**219.0**
Precast concrete:	
PAT (RM m)	1.0
Target P/E (x)	3.00
Total value (RM m)	**3.1**
Property development:	
RNAV	70.6
Net Cash/ (Debt) (RM m)	(3.8)
Total SOP (RM m)	288.8
Share base (m)	591.7
Target Price (RM)	**0.49**

Source: Company, Mercury Securities

This section is left blank intentionally

Key Financial Data

Income Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Revenue	1,032.0	917.1	984.3	1,299.8	1,791.1
EBITDA	115.0	101.4	98.7	125.7	311.5
Depreciation & Amortization	21.8	24.4	22.4	19.6	18.0
Interest Inc/(Exp)	92.7	76.9	76.1	105.9	293.4
Profit Before Tax	(6.1)	(5.5)	(8.6)	(8.6)	(134.4)
Taxation	87.1	71.4	67.7	97.4	159.2
Net Profit	(25.5)	(19.8)	(19.0)	(27.3)	(44.6)
PATAMI	61.7	51.5	48.7	70.1	114.6

Balance Sheet

	2024A	2025A	2026E	2027E	2028E
Fixed Assets	84.8	81.3	60.7	54.8	51.3
ROU Assets	59.1	47.0	49.8	45.9	42.4
Contract Assets	80.7	32.4	52.4	176.9	221.1
Other Fixed Assets	0.2	0.2	296.2	295.4	294.5
Other Current Assets	517.9	616.5	674.4	769.8	722.8
Cash	100.2	94.5	63.7	101.7	94.4
Total Assets	1,123.2	1,155.2	1,334.1	1,460.6	1,415.7
Payables	371.8	303.6	303.7	399.3	375.8
ST Borrowings	13.9	85.5	85.5	85.5	85.5
Other ST Liability	63.3	79.8	79.8	79.8	79.8
LT Borrowings	50.9	40.3	40.3	40.3	40.3
Other Liabilities	18.0	13.3	13.3	13.3	13.3
Net Assets	605.3	635.8	669.9	719.0	799.2
Shareholders' Equity	602.1	632.6	666.7	715.8	796.0
Minority Interests	3.2	3.2	3.2	3.2	3.2
Total Equity	605.3	635.8	669.9	719.0	799.2

Cashflow Statement

FY Mar (RM m)					
Operating CF	100.3	(37.9)	40.9	49.3	13.9
Investing CF	(23.4)	(0.9)	(5.9)	(7.8)	(10.9)
Financing CF	(25.4)	22.4	(14.6)	(21.0)	(34.4)
Change In Cash	51.6	(16.4)	20.4	20.4	(31.4)
Free CF	94.5	(45.6)	35.4	42.0	3.8

Financial Data & Ratios

FY Dec	2024A	2025A	2026E	2027E	2028E
Growth					
Turnover	6.2%	-11.1%	7.3%	32.1%	37.8%
EBITDA	23.8%	-11.9%	-2.6%	27.3%	147.9%
PBT	24.8%	-17.0%	-1.0%	39.1%	177.1%
Core Net Profit	25.9%	-18.1%	-5.2%	43.9%	63.4%
Profitability					
Gross Profit Margin	16.7%	16.2%	15.2%	15.5%	23.8%
EBITDA Margin	11.1%	11.1%	10.0%	9.7%	17.4%
PBT Margin	9.0%	7.8%	6.9%	7.5%	8.9%
Core Net Margin	8.4%	7.8%	6.9%	7.5%	8.9%
Effective Tax Rate	6.0%	5.6%	5.0%	5.4%	6.4%
ROA	29.2%	27.8%	28.0%	28.0%	28.0%
ROE	5.5%	4.4%	4.1%	5.2%	8.2%
Leverage					
Debt/Asset (x)	(0.01)	0.04	0.03	0.01	0.03
Debt/Equity (x)	(0.46)	(0.43)	(0.45)	(0.43)	(0.47)
Net (Cash)/Debt	(13.94)	43.14	36.01	15.63	47.07
Net Debt/Equity (x)	0.11	0.20	0.19	0.17	0.16
Valuations					
Core EPS (sen)	10.4	8.7	8.2	11.9	19.4
NDPS (sen)	1.5	3.1	2.5	3.6	5.8
BV/sh (RM)	102.3	107.5	113.2	121.5	135.1
PER (x)	4.3	5.1	5.4	3.8	2.3
Div. Yield (%)	3.4%	6.9%	5.6%	8.0%	13.1%
PBV (x)	0.4	0.4	0.4	0.4	0.3

Source: Mercury Securities, Company

Disclaimer & Disclosure of Conflict of Interest

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as “believe”, “estimate”, “intend” and “expect” and statements that an event or result “may”, “will” or “might” occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. (“Mercury Securities”) and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended, and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities’ website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Recommendation Rating

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

BUY	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

Published & Printed By:

MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my